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C O N F I D E N T I A L RIYADH 009488

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DHAHRAN SENDS
ENERGY FOR DAS BRODMAN AND MIDEAST OFFICE DIRECTOR PERSON

E.O. 12958: DECL: 12/21/2015
TAGS: [EPET](#) [EINV](#) [ECON](#) [PREL](#) [SA](#) [OIL](#)
SUBJECT: FORMER ARAMCO EXECUTIVE OFFERS HIS VIEWS ON OIL SUPPLY AND DEMAND

REF: RIYADH 7473 (NOTAL)

Classified by Consul General John Kincannon for reasons 1.4 (b) and (d).

¶11. (C) Over lunch at the CG's residence on December 21, 2005, Sadad Al-Husseini, who retired from Aramco in 2004 after serving twelve years as Executive President for Exploration & Producing, shared his views on global oil supply and demand with CG, EconOff, and PAO. Al-Husseini, who is now a consultant, sees constraints on the growth of refining capacity as the limiting factor on oil supply in the short term, citing a study he reviewed for Morgan Stanley that showed refining capacity expanding by about 600,000 barrels/day (b/d) over the next three to four years. "If demand is expected to grow at 1.5 percent, refining capacity won't keep up."

¶12. (C) Asked by the CG whether Aramco would reach its target of a sustainable capacity of 12.5 million b/d by the end of 2009, Al-Husseini said it would not. "That is Minister Naimi's number, not Aramco's," he continued, "but so what? Maybe they will get to 12.2 by 2009; maybe they will get to 12.5 a year or so later." He said that Naimi generally tended to exaggerate, causing problems for Aramco executives in explaining his estimates (reftel). Agreeing with the CG that better transparency was needed from oil-producing countries, Al-Husseini noted that Saudi Arabia had little to lose from greater transparency as "we have a great record." According to Al-Husseini it is countries like Iran, which claimed two to three times more reserves than it has, and Russia, which "claims there are huge basins in Siberia but then no one can ever get to them," that are acting irresponsibly.

¶13. (C) Al-Husseini also discussed the evolution of Aramco joint partnerships in refineries in Asia. Most of these projects began in the early and mid 1990s, he said, when the oil market had substantial excess oil in search of buyers, as a way of ensuring a purchaser for Saudi oil. Al-Husseini said that Aramco was pleased with the current operations of its refinery in South Korea. In the Philippines, on the other hand, the government, which owns 40 percent of a joint venture refinery with Aramco, would not allow Aramco to increase the price of various products as international prices increased, causing Aramco to reduce its production to minimize losses. Turning to China, Al-Husseini said that Aramco's Executive Committee had recently delayed again a major project that had been planned 11 years ago but never begun. "The Chinese government guaranteed to Aramco verbally that they would buy a certain amount of product, but they refused to put it in writing, so the Aramco board was unable to approve it." Al-Husseini pointed to differences in regional and local government structures and to the influence of the Chinese military as additional obstacles to Aramco investments in China.

¶14. (C) Bio note: Sadad Al-Husseini retired from Aramco in 2004 after serving twelve years as Executive President for Exploration & Producing. Since retiring from Aramco, he has been an active writer and consultant on oil issues. He holds a PhD in Geological Sciences from Brown University. Al-Husseini is married to Souad Al-Bassam, who also attended the December 21 lunch and who holds a film degree from NYU. End bio note.

(APPROVED: SPEIDEL)
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